
Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Audit Report

For the Period from April 1, 2006 through August 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|--------------------------------|--|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Suttons Bay-Bingham Fire and Rescue Department | County |
| Fiscal Year End 8/31/06 | Opinion Date 9/10/07 | Date Audit Report Submitted to State 9/25/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

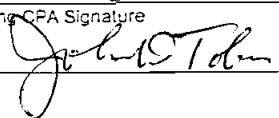
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|--------------------------|--|-------------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Tobin & Co., P.C. | | Telephone Number 231-947-0151 | |
| Street Address 400 E. Eighth St. | | City Traverse City | State Zip MI 49686 |
| Authorizing CPA Signature  | | Printed Name JOHN D. TOBIN | License Number 1101005221 |

Tobin & Co.

Table of Contents

INTRODUCTORY SECTION

| | |
|------------------------------|-------|
| Comments and Recommendations | 4 – 6 |
|------------------------------|-------|

FINANCIAL SECTION

| | |
|---------------------|---|
| Accountant's Report | 8 |
|---------------------|---|

Basic Financial Statements:

Government-wide Financial Statements:

| | |
|-------------------------|----|
| Statement of Net Assets | 9 |
| Statement of Activities | 10 |

Governmental Funds:

| | |
|--|----|
| Balance Sheet | 11 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 12 |

| | |
|-------------------------------------|---------|
| Notes to Basic Financial Statements | 13 – 20 |
|-------------------------------------|---------|

SUPPLEMENTAL DATA SECTION

Required Supplementary Information

Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

| | |
|------------------|---------|
| 1 - General Fund | 22 – 24 |
|------------------|---------|

Non-Major Governmental Funds:

| | |
|---|----|
| 2 - Combining Balance Sheet – All Non-Major Funds | 25 |
| 3 - Combined Statements of Revenues, Expenditures and Changes in Fund Balance – All Non-Major Funds | 26 |

INTRODUCTORY SECTION

Tobin & Co.

Comments and Recommendations

In connection with our audit of the financial statements of the Suttons Bay-Bingham Fire and Rescue Department for the year ended March 31, 2006, we submit the following comments and recommendations. This section is intended to take the place of a separate management letter.

General

The records were kept in excellent condition. Bank accounts were reconciled monthly, journals and ledgers were properly posted, and supporting documents and follow-up procedures were adequate. Monthly financial and budget status reports were presented to the Board. Your accountant's efforts in this area are commendable.

Budgets and Procedures

The procedures utilized in budget preparation, adoption and management were good. Budgets were adopted for the General Fund and Special Revenue Funds. The expenditures for the new fire truck were not budgeted. As a result, the capital outlay expenditures exceeded budgeted amounts by a substantial amount.

Budgets were not prepared for the Special Revenue Funds. Each fund should have an annual budget. Also, transfers between funds should be budgeted.

Capital Assets

The Townships serviced by the Fire Department own and maintain their own fire stations, which are utilized by the Fire Department for its vehicles and equipment. Most vehicles and equipment are purchased, owned and maintained by the Fire Department, which maintains records of its capital assets, and the participating units maintain records of assets to which they have title. Some assets are possibly recorded at estimated or replacement value, due to lack of historical data; however, new purchases are recorded at acquisition cost.

In June 2005, the Department began use of a facility constructed by the Bingham-Suttons Bay Joint Building Authority. The Department is leasing the facility, and the lease payments are used by the Joint Building Authority to pay bond principal and interest. When the bonds are paid, title to the facility will be turned over to the Department. The transaction is being accounted for as a capitalized lease.

The Township made payments to the Building Authority during the year to fund debt service expenditures by the Building Authority. Such payments should be made to the Fire and Rescue Department which, in turn, should pay the Building Authority.

Insurance and Bonds

The Department has insurance coverage for fire, liability, automobile, equipment and workmen's compensation. Coverage was reviewed during the audit year. There is surety bond coverage for the treasurer.

Tobin & Co.

Comments and Recommendations

Receipting

Official pre-numbered receipts are not utilized when income is received. Most of the Department's revenue is received from the Townships served by the Department. Such payments received are by check. Bank deposit slips, copies of payor checks, and remittance advices are kept for support, and the system appears to be adequate at the present time. Should there be an increase in sources of income or should the Department begin receiving currency, the use of official pre-numbered receipts for all income should be implemented.

Fire and Rescue Billings

We compiled data on the billing process for fire and rescue services. The March 31, 2005 receivables, plus billings for the year, less collections and adjustments, results in a balance that is approximately \$16,000 higher than the March 31, 2006 receivables. Part, if not all, of the difference is write-offs of bad debts, and we are not aware if records exist to determine the source of the difference. Control over this process should be implemented so that there is less likelihood of receivables escaping collection.

Board Minutes

Board minutes were maintained in good order.

General Fund

For the audit year, expenditures exceeded revenues by \$1,905, and the fund balance was \$206,146 at March 31, 2006.

Equipment Replacement Fund

This fund was established to account for grants received by the Department. The Department purchased equipment amounting to \$9,953 in accordance with provision of the grant. The balance in the fund was \$25,000 at March 31, 2006.

Vehicle Replacement Fund

This fund was established to account for non-grant monies set aside for capital purchases. The fund received \$30,000 during the year from Bingham Township and received a transfer of \$7,000 from the General Fund. Expenditures of \$77,354 were made for capital outlay, and the amount of the fund balance was \$6,994 at March 31, 2006.

Payroll Procedures

Department payroll records were in good order.

Tobin & Co.

Comments and Recommendations

Other Data

After the completion of our audit, we will mail two (2) copies of this report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the course of this examination. Your confidence is respected, and please contact us if any questions arise.

FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

Suttons Bay-Bingham Fire and Rescue Department
Leelanau County
Suttons Bay, Michigan 49682

We have audited the accompanying basic financial statements of Suttons Bay-Bingham Fire and Rescue Department as of and for the Period from April 1, 2006 through August 31, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suttons Bay-Bingham Fire and Rescue Department, Leelanau County at August 31, 2006, and the results of its operations for the period beginning April 1, 2006 through August 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Tobin & Co., P.C.

Tobin & Co., P.C.
Certified Public Accountants
September 10, 2007

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Statement of Net Assets

August 31, 2006

| | <u>Primary Government</u> |
|---|--|
| | <u>Governmental Activities and Total</u> |
| <u>Assets</u> | |
| Cash | \$ 41,418 |
| Investments | 10,407 |
| Accounts Receivable | 14,570 |
| Capital Assets, Net of Depreciation | <u>2,517,400</u> |
| Total Assets | <u>2,583,795</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 9,310 |
| Accrued Interest Payable | 21,590 |
| Capitalized Lease Payable – Due in One Year | 95,000 |
| Capitalized Lease Payable – Due after One Year | <u>1,735,000</u> |
| Total Liabilities | <u>1,860,900</u> |
| <u>Net Assets</u> | |
| Invested in Capital Assets, Net of Related Debt | 687,400 |
| Unrestricted | <u>35,495</u> |
| Total Net Assets | <u>\$ 722,895</u> |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Statement of Activities

For the Period from April 1, 2006 through August 31, 2006

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Total</u> |
|----------------------------------|-----------------|-----------------------------|---|-------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental Activities: | | | | |
| Public Safety | \$ 463,492 | \$ 53,514 | \$ 185,473 | \$ (224,505) |
| Total Governmental Activities | \$ 463,492 | \$ 53,514 | \$ 185,473 | (224,505) |
| General Revenues: | | | | |
| Unrestricted Investment Earnings | | | | 2,467 |
| Miscellaneous | | | | <u>277</u> |
| Total General Revenues | | | | <u>2,744</u> |
| Change in Net Assets | | | | (221,761) |
| Net Assets – Beginning | | | | <u>944,656</u> |
| Net Assets – Ending | | | | <u>\$ 722,895</u> |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Balance Sheet

Governmental Funds

August 31, 2006

| <u>Assets</u> | <u>General</u> | <u>Non-Major Governmental Funds</u> | <u>Total</u> |
|---------------------|------------------|---|------------------|
| Cash in Bank | \$ 41,405 | \$ 13 | \$ 41,418 |
| Investments | 6,494 | 3,913 | 10,407 |
| Accounts Receivable | <u>14,570</u> | <u>-</u> | <u>14,570</u> |
| Total Assets | <u>\$ 62,469</u> | <u>\$ 3,926</u> | <u>\$ 66,395</u> |

Liabilities and Fund Balances

Liabilities:

| | | | |
|-------------------|--------------|----------|--------------|
| Accounts Payable | \$ 9,310 | \$ - | \$ 9,310 |
| Total Liabilities | <u>9,310</u> | <u>-</u> | <u>9,310</u> |

Fund Balances:

| | | | |
|---|---------------|--------------|---------------|
| Unreserved | 53,159 | - | 53,159 |
| Unreserved reported in Special Revenue Funds | <u>-</u> | <u>3,926</u> | <u>3,926</u> |
| Total Fund Balances | <u>53,519</u> | <u>3,926</u> | <u>57,085</u> |

Total Liabilities and Fund Balances

| | |
|------------------|-----------------|
| <u>\$ 62,469</u> | <u>\$ 3,926</u> |
|------------------|-----------------|

Amounts reported for governmental activities on the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. 687,400

Accrued interest payable on capitalized lease is not recognized in the funds. (21,590)

Net Assets \$ 722,895

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Period from April 1, 2006 through August 31, 2006

| | General | Non-Major Governmental Funds | Total |
|---|------------------|------------------------------------|------------------|
| <u>Revenues</u> | | | |
| Contributions from Local Units | \$ 216,285 | \$ 8,214 | \$ 224,499 |
| Charges for Services | 53,514 | - | 53,514 |
| Interest and Rents | 2,467 | - | 2,467 |
| Other | 277 | - | 277 |
| Total | <u>272,543</u> | <u>8,214</u> | <u>280,757</u> |
| <u>Expenditures</u> | | | |
| ALS Services | 11,745 | - | 11,745 |
| Building | 27,550 | - | 27,550 |
| Personnel | 194,602 | - | 194,602 |
| Fire Operations | 19,079 | - | 19,079 |
| Other Charges | 55,047 | - | 55,047 |
| Debt Service | 118,660 | - | 118,660 |
| Capital Outlay | 4,135 | 37,207 | 41,342 |
| Total | <u>430,818</u> | <u>37,207</u> | <u>468,025</u> |
| <u>Excess Revenues (Expenditures)</u> | <u>(158,275)</u> | <u>(28,993)</u> | <u>(187,268)</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Operating Transfers In | 12,788 | 7,500 | 20,288 |
| Operating Transfers (Out) | (7,500) | (12,788) | (20,288) |
| Total | <u>5,288</u> | <u>(5,288)</u> | <u>-</u> |
| <u>Excess Revenues (Expenditures) and Other Financing Sources(Uses)</u> | <u>(152,987)</u> | <u>(34,281)</u> | <u>(187,268)</u> |
| Fund Balance – Beg. of Year | 206,146 | 38,207 | |
| Fund Balance – End of Year | <u>\$ 53,159</u> | <u>\$ 3,926</u> | |

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives are reported as depreciation expense.

This is the amount by which depreciation exceeded capital outlays, net of related debt. (86,927)

Repayment of capitalized lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayment during the period. 85,000

Interest on long-term liabilities is not recorded in the governmental funds until paid but is accrued on the statement of net assets. This is the amount of accrued interest not paid during the period. 6,460

Property taxes receivable are not deferred in the statement of net assets. This is the amount by which the amount receivable decreased during the year. (39,026)

Change in net assets of governmental activities. \$ (221,761)

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Townships of Suttons Bay and Bingham, Leelanau County, Michigan organized a joint Fire and Rescue Department to service the two Townships and appointed a joint Board to oversee the operation. The Department is financed through a special voted tax levied by each Township.

The Department's basic financial statements include the accounts of all Department operations. The criteria for including organizations within the Department's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Department. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Department segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Department has presented the following governmental funds:

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Department. Revenues are derived primarily from distributions or grants from the Townships.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Board.

In the body of the financial statements, the actual and budgeted expenditures for the budgetary fund have been shown on a function basis. The approved budget for the funds was adopted on a function basis.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|-----------------------------------|----------|
| Buildings | 40 years |
| Vehicles | 15 years |
| Equipment | 5 years |
| Turn Out Gear | 7 years |
| Office Furniture and Equipment | 10 years |

F. Investments

Investments as of August 31, 2006 consisted of an investment at a local bank trust department in a mutual fund consisting of allowable investments for local units of government.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accounts Receivable

The Department contracts with an independent party to perform billing for fire and rescue services. The Department accepts assignment of its receivables and consequently accepts payments from insurance companies as payment, in full, for charges. Accounts receivable are recorded at the time services are performed and billed, and revenue recognition is at the time of billing.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provision of various agreements related to financial matters.
- B. All funds had positive fund balances at August 31, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the period ended August 31, 2006, three cost centers exceeded budgeted amounts.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1998, states that the Board, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution but only if the financial institution complies with subsection (2).

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after date of purchase.
4. In repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. In mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Fire Department has \$60,026 deposited with a local bank at August 31, 2006 with a carrying value of \$51,825. Interpreting the FDIC insurance coverage, \$100,000 per demand deposit account and \$100,000 per time deposit account in each depository, the Fire Department had no uninsured deposits at August 31, 2006.

NOTE 4 - CAPITAL ASSETS

| | <u>3/31/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>8/31/06</u> |
|--|---------------------|--------------------|------------------|---------------------|
| Governmental Activities: | | | | |
| Land | \$ 350,000 | \$ - | \$ - | \$ 350,000 |
| Buildings | 1,590,059 | 922 | - | 1,590,981 |
| Vehicles | 909,166 | - | - | 909,166 |
| Equipment | 155,836 | 38,706 | - | 194,542 |
| Furniture and Equipment | <u>36,536</u> | <u>1,714</u> | <u>-</u> | <u>38,250</u> |
| | 3,041,597 | 41,342 | - | 3,082,939 |
| Less Accumulated Depreciation | <u>(437,270)</u> | <u>(128,269)</u> | <u>-</u> | <u>(565,539)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,604,327</u> | <u>\$ (86,927)</u> | <u>\$ -</u> | <u>\$ 2,517,400</u> |

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts billed for fire and rescue services. The Department accepts assignment to insurers. An allowance for doubtful accounts of \$6,500 has been recorded at August 31, 2006 to reflect expected realization of the amount to be paid by insurance companies.

NOTE 6 - TRANSFERS BETWEEN FUNDS

During the audit period the following transfers were made:

| | | |
|--|----|-------|
| General Fund to Equipment Replacement Fund | \$ | 7,500 |
| Vehicle Replacement Fund to General Fund | \$ | 6,658 |
| Building Fund to General Fund | \$ | 922 |
| Equipment Replacement Fund to General Fund | \$ | 5,208 |

NOTE 7 - INVENTORIES

The Fire Department does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

NOTE 8 - LEASE

Suttons Bay and Bingham Townships formed a joint building authority to construct a facility for the Fire and Rescue Department. The facility was completed in May 2006. Bonds amounting to \$1,975,000 were sold to finance the project. The Townships lease the facility from the Building Authority. Rent will be paid to the authority on the first day of the month preceding the dates on which principal and interest is due on the bonds. Interest is due on May 1 and November 1 beginning on May 1, 2005, and principal payments are due annually beginning May 1, 2005. Scheduled future bond principal and interest payments are as follows:

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 8 - LEASE (Continued)

| <u>Year End</u> <u>March 31,</u> | <u>Principal 5/1</u> | <u>Interest 5/1</u> | <u>Total</u> |
|-------------------------------------|----------------------|---------------------|---------------------|
| 2008 | \$ 95,000 | \$ 63,345 | \$ 158,345 |
| 2009 | 105,000 | 60,345 | 165,345 |
| 2010 | 115,000 | 57,045 | 172,045 |
| 2011 | 120,000 | 53,520 | 173,520 |
| 2012 | 125,000 | 49,783 | 174,783 |
| 2013 | 130,000 | 45,700 | 175,700 |
| 2014 | 140,000 | 41,105 | 181,105 |
| 2015 | 145,000 | 36,045 | 181,045 |
| 2016 | 155,000 | 30,568 | 185,568 |
| 2017 | 160,000 | 24,660 | 184,660 |
| 2018 | 170,000 | 18,305 | 188,305 |
| 2019 | 180,000 | 11,390 | 191,390 |
| 2020 | <u>190,000</u> | <u>3,895</u> | <u>193,895</u> |
| | <u>\$ 1,830,000</u> | <u>\$ 495,706</u> | <u>\$ 2,325,706</u> |

At the time the bonds are paid, title to the facility will be turned over to the Fire and Rescue Department. Therefore, the transaction is being recorded as a capitalized lease. See Note 13 below.

NOTE 9 - PENSION PLAN

The Department has a deferred compensation plan and a defined contribution benefit plan. The Department Treasurer administers both plans.

The deferred compensation is plan available to substantially all rescue employees. The Department may elect to match a portion of the elected deferrals. Employer contributions vest at the time contributions are made, and distributions are made the earlier of thirty-one days after participant's separation from service or attainment of age 70 ½. During the period ended August 31, 2006, the Department contributed \$5,269 to the plan.

The Department has a defined contribution plan for its fire volunteers, which is not insured by the pension benefit guaranty corporation because it is discretionary. The plan was adopted on April 1, 1990. Individuals are eligible to participate in the plan when the Department accepts application and they pass a physical examination. Contributions vest to volunteers after completing five years of service, with years of service credited for twelve consecutive months of service. Payments are made at normal retirement of age 65, or upon total disability, death or termination of employment. During the period ended August 31, 2006, no contributions were made; the Board makes the required contributions annually in March.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Notes to Financial Statements

August 31, 2006

NOTE 10 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Suttons Bay-Bingham Fire and Rescue Department.

NOTE 11 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and firefighters; and natural disasters. During the audit year, the Department addressed these risks through the purchase of commercial insurance. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 - COMPENSATED ABSENCES

The Department provides personnel with paid vacation/sick days. Paid vacation/sick days accrue beginning each fiscal year with a maximum of 144 hours earned per year. Unused vacation/sick pay is paid to personnel at time of termination. At August 31, 2006, the liability is estimated at \$31,408.

NOTE 13 - SUBSEQUENT EVENT

Effective September 1, 2006, the Department began operating as an Authority rather than as a Department operated jointly by Suttons Bay and Bingham Townships. The Department transferred all assets and liabilities to the Authority. At the same time, the Townships subleased the Fire and Rescue facility to the Fire and Rescue Authority.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 1

Page 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Period from April 1, 2006 through August 31, 2006

| | <u>Budgeted Amounts</u> | | | Variance Favorable (Unfavorable) |
|---------------------------------|-------------------------|----------------|----------------|--|
| | <u>Original</u> | <u>Amended</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Contributions from Local Units: | | | | |
| Appropriations: | | | | |
| Bingham Township | \$ - | \$ - | \$ 53,990 | \$ 53,990 |
| Suttons Bay Township | - | - | 64,670 | 64,670 |
| Property Tax Collections: | | | | |
| Bingham Township | 86,667 | 86,667 | 13,751 | (72,916) |
| Suttons Bay Township | 107,500 | 107,500 | 75,874 | (31,626) |
| Charges for Services: | | | | |
| Rescue Runs | 85,417 | 85,417 | 53,514 | (31,903) |
| Interest and Rents: | | | | |
| Earned Interest | 1,667 | 1,667 | 2,467 | 800 |
| Other Revenue: | | | | |
| Township Contracts | 40,000 | 40,000 | 8,000 | (32,000) |
| Miscellaneous | - | - | 277 | 277 |
| Total Revenues | <u>321,251</u> | <u>321,251</u> | <u>272,543</u> | <u>(48,708)</u> |
| <u>Expenditures</u> | | | | |
| ALS General Operations: | | | | |
| Office Supplies | - | - | 1,902 | - |
| General Supplies | - | - | 288 | - |
| Medical | - | - | 4,643 | - |
| Oxygen | - | - | 1,083 | - |
| Maintenance | - | - | 2,222 | - |
| Education and Dues | - | - | 1,542 | - |
| Miscellaneous | - | - | 65 | - |
| Total | <u>12,604</u> | <u>12,604</u> | <u>11,745</u> | <u>859</u> |
| Building: | | | | |
| Utilities | - | - | 21,295 | - |
| Supplies | - | - | 378 | - |
| Outdoor Maintenance | - | - | 1,890 | - |
| Telephone | - | - | 2,219 | - |
| Repairs and Maintenance | - | - | 1,768 | - |
| Total | <u>11,021</u> | <u>11,021</u> | <u>27,550</u> | <u>(16,529)</u> |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 1

Page 2

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Period from April 1, 2006 through August 31, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-------------------------------------|-------------------------|----------------|----------------|---|
| | <u>Original</u> | <u>Amended</u> | | |
| <u>Expenditures (continued)</u> | | | | |
| Compensation: | | | | |
| Fire Chief | - | - | 4,865 | - |
| Deputy Fire Chief | - | - | 1,200 | - |
| Reserve Pool | - | - | 2,765 | - |
| Paramedic Wages | - | - | 120,145 | - |
| Administrator | - | - | 6,346 | - |
| Payroll Taxes | - | - | 10,382 | - |
| Total | <u>170,167</u> | <u>170,167</u> | <u>145,703</u> | <u>24,464</u> |
| Administration and General: | | | | |
| Bookkeeping | - | - | 1,423 | - |
| Audit and Legal | - | - | 1,542 | - |
| Contractual Services – Billing | - | - | 4,385 | - |
| Supplies and Miscellaneous | - | - | (78) | - |
| Total | <u>9,271</u> | <u>9,271</u> | <u>7,272</u> | <u>1,999</u> |
| Fire Department General Operations: | | | | |
| General Supplies | - | - | 2,655 | - |
| SCBA Air | - | - | 520 | - |
| Radios and Pagers | - | - | 12,793 | - |
| Equipment Maintenance | - | - | 894 | - |
| Dues and Memberships | - | - | 420 | - |
| Education and Travel | - | - | 1,141 | - |
| Physical Exams | - | - | 656 | - |
| Total | <u>8,521</u> | <u>8,521</u> | <u>19,079</u> | <u>(10,558)</u> |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 1

Page 3

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Period from April 1, 2006 through August 31, 2006

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|---------|-----------|--|
| | Original | Amended | | |
| <u>Expenditures (continued)</u> | | | | |
| Insurance and Fringe Benefits: | | | | |
| Fire and Casualty | - | - | 21,303 | - |
| Workmen's Compensation | - | - | 16,372 | - |
| Health Insurance | - | - | 39,017 | - |
| Life Insurance and Disability | - | - | 2,918 | - |
| Clothing | - | - | 1,695 | - |
| Retirement | - | - | 5,269 | - |
| Total | 93,041 | 93,041 | 86,574 | 6,467 |
| Vehicle: | | | | |
| Fuel | - | - | 3,255 | - |
| General Repair | - | - | 6,579 | - |
| General Supplies | - | - | 266 | - |
| Total | 11,667 | 11,667 | 10,100 | 1,567 |
| Contingency | 2,083 | 2,083 | - | 2,083 |
| Debt Service | - | - | 118,660 | (118,660) |
| Capital Outlay | 2,708 | 2,708 | 4,135 | (1,427) |
| Total Expenditures | 321,083 | 321,083 | 430,818 | (109,735) |
| <u>Excess Revenue (Expenditures)</u> | 168 | 168 | (158,275) | (158,443) |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Operating Transfers In | - | - | 12,788 | 12,788 |
| Operating Transfers (Out) | - | - | (7,500) | (7,500) |
| Total | - | - | 5,288 | 5,288 |
| <u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u> | \$ 168 | \$ 168 | (152,987) | \$ (153,155) |
| Fund Balance – Beginning of Year | | | 206,146 | |
| Fund Balance – End of Year | | | \$ 53,159 | |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 2

Combining Balance Sheet

All Non-Major Funds

August 31, 2006

| <u>Assets</u> | <u>Equipment Replacement Fund</u> | <u>Vehicle Replacement Fund</u> | <u>Building Fund</u> | <u>Budget Stabilization Fund</u> | <u>Total</u> |
|--------------------------------------|---|---|--------------------------|--|-----------------|
| Cash in Bank | \$ 13 | \$ - | \$ - | \$ - | \$ 13 |
| Investments | - | 336 | 3,577 | - | 3,913 |
| Total | <u>\$ 13</u> | <u>\$ 336</u> | <u>\$ 3,577</u> | <u>\$ -</u> | <u>\$ 3,926</u> |
| <u>Liabilities and Fund Equity</u> | | | | | |
| Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity | | | | | |
| Fund Balance | 13 | 336 | 3,577 | - | 3,926 |
| Total | <u>13</u> | <u>336</u> | <u>3,577</u> | <u>-</u> | <u>3,926</u> |
| Total Liabilities and Fund Equity | <u>\$ 13</u> | <u>\$ 336</u> | <u>\$ 3,577</u> | <u>\$ -</u> | <u>\$ 3,926</u> |

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 3

Combining Statements of Revenues, Expenditures and Changes in Fund Balance

All Non-Major Funds

For the Period from April 1, 2006 through August 31, 2006

| <u>Revenues</u> | <u>Equipment Replacement Fund</u> | <u>Vehicle Replacement Fund</u> | <u>Building Fund</u> | <u>Budget Stabilization Fund</u> | <u>Total</u> |
|---|---|---|--------------------------|--|--------------|
| Contributions from Townships | \$ 8,214 | \$ - | \$ - | \$ - | \$ 8,214 |
| Total | 8,214 | - | - | - | 8,214 |
| <u>Expenditures</u> | | | | | |
| Capital Outlay | 35,493 | - | 1,714 | - | 37,207 |
| Total | 35,493 | - | 1,714 | - | 37,207 |
| <u>Excess Revenues (Expenditures)</u> | (27,279) | - | (1,714) | - | (28,993) |
| <u>Other Financing Sources</u> | | | | | |
| Transfers In | 7,500 | - | - | - | 7,500 |
| Transfers Out | (5,208) | (6,658) | (922) | - | (12,788) |
| Total | 2,292 | (6,658) | (922) | - | (5,288) |
| <u>Excess Revenues (Expenditures) and Other Financing Sources</u> | (24,987) | (6,658) | (2,636) | - | (34,281) |
| <u>Fund Balance – Beginning of Year</u> | 25,000 | 6,994 | 6,213 | - | 38,207 |
| <u>Fund Balance – End of Year</u> | \$ 13 | \$ 336 | \$ 3,577 | \$ - | \$ 3,926 |

The Notes to the Financial Statements are an integral part of this statement.